

# Inspector General

United States  
Department of Defense



American Recovery and Reinvestment Act  
Project—Repair and Modernization of  
Administration Building 1500 at Naval  
Air Station Pensacola, Florida

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## Acronyms and Abbreviations

FAR	Federal Acquisition Regulation
NAS	Naval Air Station
NAVFAC	Naval Facilities Engineering Command
OMB	Office of Management and Budget
PWD	Public Works Department
QMAD	Quantitative Methods and Analysis Division



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
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JUN 11 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL  
COMMANDING OFFICER, NAVAL FACILITIES  
ENGINEERING COMMAND SOUTHEAST  
COMMANDING OFFICER, NAVAL AIR STATION  
PENSACOLA PUBLIC WORKS DEPARTMENT

SUBJECT: American Recovery and Reinvestment Act Project—Repair and  
Modernization of Administrative Building 1500 at Naval Air Station  
Pensacola, Florida (Memorandum No. D2010-RAM-010)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009. We considered management comments on a discussion draft of the report when preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Wimette at (703) 604-8876 (DSN 664-8876).

A handwritten signature in blue ink, reading "Alice F. Carey", is positioned above the printed name.

Alice F. Carey  
Assistant Inspector General  
Readiness, Operations, and Support







# Results in Brief: American Recovery and Reinvestment Act Project—Repair and Modernization of Administrative Building 1500 at Naval Air Station Pensacola, Florida

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## What We Did

Our overall objective was to evaluate DOD's implementation of Public Law 111-5, "American Recovery and Reinvestment Act of 2009," February 17, 2009. Specifically, we determined whether Navy personnel adequately planned, funded, executed, tracked, and reported Project RM55-01, to repair and modernize Administrative Building 1500 at Naval Air Station Pensacola, Florida, to ensure the appropriate use of Recovery Act funds.

## What We Found

We determined that Project RM55-01 was justified and met the Recovery Act goals regarding accountability and transparency. Personnel at the Naval Facilities Engineering Command Southeast Public Works Department at Naval Air Station Pensacola, Florida, planned, funded, executed, and had procedures in place to track and report the project as required by the Recovery Act and implementation guidance.

Although the contract initially omitted four required Federal Acquisition Regulation clauses, contracting personnel subsequently issued contract modifications to include the clauses.

## What We Recommend

This report contains no recommendations.

## Management Comments

The Commander, Naval Facilities Engineering Command Southeast Public Works Department at Naval Air Station Pensacola, Florida, had no comments on the discussion draft report and agreed with our results and conclusions. We do not require any formal comments.



**Administrative Building 1500 at Naval Air Station Pensacola, Florida**



**Basement of Administrative Building 1500 at Naval Air Station Pensacola, Florida**



# Introduction

## Objective

Our overall objective was to evaluate DOD’s implementation of Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009 (Recovery Act). We reviewed the implementation of the DOD Recovery Act plans at the Service and installation levels to determine whether individual projects were managed to achieve the accountability and transparency goals of the Recovery Act. Specifically, we determined whether personnel at Naval Air Station (NAS) Pensacola, Florida adequately planned, funded, executed, tracked, and reported to ensure the appropriate use of Recovery Act funds for Project RM55-01 for the design, repair, and modernization of Administrative Building 1500 at NAS Pensacola. See the appendix for a discussion of the audit scope and methodology related to the audit objective.

## Background

In passing the Recovery Act, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments to increase economic efficiency by spurring technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public of how, when, and where tax dollars were being spent. Further, the Recovery Act states that the President and heads of the Federal departments and agencies were to expend these funds as quickly as possible, consistent with prudent management.

DOD received approximately \$6.8 billion<sup>1</sup> in Recovery Act funds to be used for projects that support the Act’s purpose. In March 2009, DOD released expenditure plans for the Recovery Act, which list DOD projects that will receive Recovery Act funds. The Department of the Navy received \$1.928 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Table 1 provides specific funds allocated to each appropriation.

**Table 1. Department of the Navy Program-Specific Recovery Act Appropriations**

<b>Appropriations</b>	<b>Amount (millions)</b>
Operations and Maintenance	\$916
Military Construction	937
Research, Development, Test and Evaluation	75
<b>Total</b>	<b>\$1,928</b>

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<sup>1</sup> The \$6.8 billion does not include \$4.6 billion for the U.S. Army Corps of Engineers or \$555 million for the Homeowners Assistance Fund.



Of the \$1.928 billion, the Department of Navy allocated approximately \$10.6 million (Operations and Maintenance) to support the repair and modernization of Administrative Building 1500 at NAS Pensacola. This project consists of repairs and modernization of fire safety systems; interior electrical distribution; heating, ventilation, and air conditioning; interior plumbing; exterior and interior finishes; windows; telecommunications system; electrical supply; and physical security. This project also includes asbestos and lead paint removal and installation of an elevator and handicap ramp to comply with the Americans with Disabilities Act.

NAS Pensacola's mission is to enhance readiness of the U.S. Navy and the other Services by fully supporting the operational and training missions of tenant commands assigned. NAS Pensacola provides support to 89 DOD and 30 non-DOD tenant commands, the majority of which are dedicated to training Navy, Marine Corps, and Coast Guard personnel in naval aviation.

# Audit Results

We determined that Project RM55-01 met the goals regarding accountability and transparency as provided in the Recovery Act. This project was justified, and the Naval Facilities Engineering Command (NAVFAC) Southeast Public Works Department at NAS Pensacola (the PWD) personnel planned, funded, and executed the project in order to achieve the goals of the Recovery Act. In addition, PWD personnel had procedures in place to track and report the project as required by the Recovery Act. Although the contract was initially missing four Federal Acquisition Regulation (FAR) clauses required by Recovery Act implementation guidance, contracting personnel issued contract modifications to include the clauses.

## Planning

PWD personnel appropriately planned the project, which we determined to be justified. According to planning documents, Hurricane Ivan struck NAS Pensacola in 2004 causing severe damage to Building 1500, which is a unique, historically-registered building. As a result of the hurricane damage, the building presents many health hazards. The planning documents state that this project will bring the building up to a safe and usable condition to house command and support staff and allow the command to be in closer proximity to the Admiral's building. The project will also make the building compliant with the National Preservation Act. Upon project completion, the Command and staff will move from Building 624 into Building 1500. NAS Pensacola will then convert Building 624 into barracks for military personnel attending classes on base.

PWD personnel appropriately planned the project by obtaining a detailed cost estimate and economic analysis. The cost estimate was based on the number of square feet requiring repair and modernization and upgrades needed to meet requirements of the Americans with Disabilities Act and Anti-terrorism Force Protection policy. The economic analysis considered possible alternatives to house command and support staff, such as status quo, leasing, renovation, and new construction. PWD personnel determined that renovation was the best option because it was less expensive than new construction and because it:

- provided a Command building closer to the Admiral's building and apart from the training campus at NAS Pensacola,
- permitted completion of renovations without having to temporarily relocate tenants,
- vacated Building 624 for renovation into barracks for training campus students, and
- preserved a historically-registered building.

## Funding

Navy personnel distributed Recovery Act funds to the Building 1500 repair and modernization project in a timely manner, and funding documents properly identified a Recovery Act designation. Navy Region Southeast personnel distributed Recovery Act

funds to NAVFAC on September 11, 2009, and NAVFAC Southeast personnel awarded the contract subsequent to receiving the funds. Funding documents indicated that \$10,598,586 was distributed for the project and identified the correct Recovery Act appropriation in the line of accounting.

## **Execution**

PWD personnel adequately performed initial project execution of the Recovery Act project. In our evaluation of initial project execution, we determined whether the contracts were competitively solicited and awarded, with full transparency, and whether they contained the clauses the FAR requires for Recovery Act contract actions.

PWD personnel awarded the contract competitively at a firm fixed price of approximately \$10.6 million on September 18, 2009, which was one month earlier than the milestone from the DOD's Recovery Act expenditure plan. PWD personnel issued the request for proposal competitively and eight companies responded. The PWD's source selection board evaluated the proposals based on price and six technical factors. PWD personnel determined that the proposal from Greenhut Construction Co. provided the best value to the Government. Greenhut Construction Co. tied with two other companies for the highest technical evaluation scores. However, Greenhut Construction Co. had a lower price than the other two companies did. Greenhut Construction Co. registered on the Central Contractor Registration web page, and the Excluded Parties List System did not include them as a debarred contractor.

Contracting personnel properly recorded contract actions to facilitate full transparency. Office of Management and Budget (OMB) Memorandum M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," April 3, 2009, describes requirements for reporting Recovery Act funded actions in the Federal Procurement Data System and publicizing actions on Federal Business Opportunities. Contracting personnel properly reported the contract award in the Federal Procurement Data System and announced the solicitation and contract award on the Federal Business Opportunities website.

The contract was originally missing four FAR clauses. However, PWD personnel modified the contract to include these clauses. PWD contracting personnel included most of the required Recovery Act FAR clauses, including those for whistleblower protection, reporting, the Davis-Bacon Act, and the Buy American Act. However, we identified one missing subcontracting clause 52.244-6, "Subcontracts for Commercial Items" and three clauses required by FAR Part 23, "Environment, Energy, and Water Efficiency, Renewable Energy Technologies, Occupational Safety, and Drug-free Workplace." FAR part 23 prescribes policies and procedures for protecting and improving the quality of the

environment. According to OMB Memorandum M-09-15, agencies must comply with the requirements of FAR part 23 when acquiring supplies and services<sup>2</sup> using Recovery Act funds. The contract was missing the following clauses required by FAR part 23:

- FAR 52.223-2, “Affirmative Procurement of Biobased Products Under Service and Construction Contracts,”
- FAR 52.223-14, “Toxic Chemical Release Reporting,” and
- FAR 52.223-17, “Affirmative Procurement of EPA-designated Items in Service and Construction Contracts.”

Without these clauses, Navy officials could not hold contractors accountable for all Recovery Act requirements or ensure the protection and improvement of the environment. Since we identified this issue, PWD contracting personnel modified the contract to include the four missing clauses.

## Tracking and Reporting

Although repair and modernization of Building 1500 had not commenced at the time of our review, the PWD had adequate personnel and procedures in place to track project schedules, address non-conformances, and ensure the contractor met contract requirements. PWD personnel stated that the construction manager and engineering technician will review daily quality control reports, attend weekly quality control meetings, and perform inspections to ensure the contractor has an adequate quality control program in place and is following all contract requirements.

PWD personnel also had procedures in place to ensure the contractor reported required Recovery Act information. FAR clause 52.204-11, “American Recovery and Reinvestment Act – Reporting Requirements,” requires contractors for Recovery Act projects to report project information at <http://www.FederalReporting.gov>. The contracting officer and public works officer for this project stated that they planned to register on the website to ensure the contractor is reporting as required. For the first and second quarters of FY10, Greenhut Construction Co. reported the number of jobs and total dollar value for the project as required.

## Conclusion

We concluded that need for the repair and modernization of Administrative Building 1500 was justified. NAVFAC Southeast officials adequately planned, funded, and executed, the project. NAVFAC Southeast personnel had procedures in place to track and report Project RM55-01 in accordance with the accountability and transparency goals of the Recovery Act. Although the contract was originally missing four FAR clauses, PWD personnel modified the contract to include these clauses. Therefore, this report contains no recommendations.

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<sup>2</sup> According to the definition of an acquisition in FAR Subpart 2.101, construction is a service.

## **Appendix. Scope and Methodology**

We conducted this performance audit from October 2009 through June 2010. We interviewed key personnel from the NAVFAC Southeast Regional Engineer Office and the NAVFAC PWD at NAS Pensacola. We reviewed documentation including the official contract file, economic analysis, cost estimate, DD Form 1391, Military Construction Project Data, and associated support, and process for tracking and reporting Recovery Act projects. We also conducted a site visit to tour Building 1500. We reviewed Federal, DOD, Navy, and NAS Pensacola guidance, and compared this guidance to our audit results.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Use of Computer-Processed Data**

We used computer-processed data from the Federal Procurement Data System, Central Contractor Registration, Excluded Parties List System, Federal Business Opportunities, [www.federalreporting.gov](http://www.federalreporting.gov), and other systems. However, our use of computer-processed data did not materially affect our audit results, findings, or conclusions, and the information we used was obtained from sources generally recognized as appropriate. Therefore, we did not evaluate the reliability of the computer-processed data we used.

### **Use of Technical Assistance**

Before selecting DOD Recovery Act projects for audit, personnel in the Quantitative Methods and Analysis Division (QMAD) of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. QMAD personnel selected most audit projects and locations using a modified Delphi technique, which allowed them to quantify the risk based on expert auditor judgment, and other quantitatively developed risk indicators. Initially, QMAD personnel selected 83 projects with the highest risk rankings. Auditors chose some additional projects at the selected locations.

QMAD personnel did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, National Guard units, and public works projects managed by the U.S. Army Corps of Engineers.

## **Prior Audit Coverage**

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.





# Inspector General Department of Defense